

U.S. Highbush Blueberry Council

FINANCIAL STATEMENTS
December 31, 2015 and 2014

U.S. Highbush Blueberry Council

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INDEPENDENT AUDITOR'S REPORT

To the U.S. Highbush Blueberry Council
Folsom, California

Report on the Financial Statements

We have audited the accompanying financial statements of U.S. Highbush Blueberry Council (the "Council") which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S. Highbush Blueberry Council as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 12 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information, except for the budget information marked "unaudited," has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, on our consideration of U.S. Highbush Blueberry Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering U.S. Highbush Blueberry Council's internal control over financial reporting and compliance.

Other Reporting Required by the United States Department of Agriculture

In connection with our audits of the years ended December 31, 2015 and 2014, nothing came to our attention, insofar as it relates to financial and accounting matters, that causes us to believe that the U.S. Highbush Blueberry Council:

- Failed to comply with laws and regulations and U.S. Department of Agriculture Agricultural Marketing Service ("USDA AMS") Guidelines for AMS Oversight of Commodity Research and Promotion Programs applicable to the Association;
- Failed to comply with Section 1218.48 of the Blueberry Promotion, Research and Information Order, relating to the use of assessment funds for the purpose of influencing legislation or governmental action or policy;
- Expended assessment funds for purposes other than those authorized by the Commodity Promotion, Research and Information Act of 1996 and the Blueberry Promotion, Research and Information Order;
- Expended or obligated assessment funds on any projects prior to the fiscal year in which those funds were authorized to be expended by the U.S. Highbush Blueberry Council's approved Budget and Marketing Plan;
- Did not adhere to the original or amended Budget and Marketing Plan for the years ended December 31, 2015 and 2014;
- Did not obtain a written contract or agreement with any person or entity providing goods or services to the U.S. Highbush Blueberry Council;

- Failed to comply with USDA AMS Directive 2210.2, relating to the limitations on the types of investments which may be purchased by the U.S. Highbush Blueberry Council and the insurance or collateral that must be obtained for all U.S. Highbush Blueberry Council deposits and investments;
- Failed to comply with disclosure requirements for lease commitments;
- Failed to comply with standards established relating to contracts and USDA approval letters (if necessary); or
- Failed to comply with the by-laws of the U.S. Highbush Blueberry Council or any other policy of the U.S. Highbush Blueberry Council, specifically as they relate to all financial matters, including time and attendance, and travel.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Propp Christensen Caniglia LLP

February 24, 2016
Roseville, California

U.S. Highbush Blueberry Council

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 7,062,802	\$ 5,732,441
Accounts receivable	363,309	390,625
Promotional materials	27,724	51,628
Prepaid expenses	<u>18,092</u>	<u>685,895</u>
Total current assets	7,471,927	6,860,589
Equipment, net	<u>257</u>	<u>746</u>
Total assets	<u><u>\$ 7,472,184</u></u>	<u><u>\$ 6,861,335</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 684,943	\$ 539,250
Current portion of health research contract obligations	451,230	776,539
Deferred crop assessments	<u>4,341,608</u>	<u>4,567,026</u>
Total current liabilities	5,477,781	5,882,815
Health research contract obligations, net of current portion	<u>582,952</u>	<u>141,266</u>
Total liabilities	6,060,733	6,024,081
Unrestricted net assets	<u>1,411,451</u>	<u>837,254</u>
Total liabilities and net assets	<u><u>\$ 7,472,184</u></u>	<u><u>\$ 6,861,335</u></u>

The accompanying notes are an integral part of these financial statements.

U.S. Highbush Blueberry Council

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue:		
Domestic crop assessments	\$ 4,598,592	\$ 2,935,906
Foreign crop assessments	2,923,045	2,565,134
Grant revenue	63,055	127,220
Gains from contract expirations	95,089	-
Other revenue	<u>10,002</u>	<u>16,453</u>
Total revenue	<u>7,689,783</u>	<u>5,644,713</u>
Expenses:		
Market promotion and publicity	4,788,746	3,621,656
Research	1,179,587	361,374
Industry relations	73,156	68,440
Food safety	88,401	52,593
USHBC program fees	202,113	201,314
General and administrative	<u>783,583</u>	<u>732,898</u>
Total expenses	<u>7,115,586</u>	<u>5,038,275</u>
Change in unrestricted net assets	574,197	606,438
Unrestricted net assets, beginning of year	<u>837,254</u>	<u>230,816</u>
Unrestricted net assets, end of year	<u>\$ 1,411,451</u>	<u>\$ 837,254</u>

The accompanying notes are an integral part of these financial statements.

U.S. Highbush Blueberry Council

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from growers and governmental agencies	\$ 7,377,132	\$ 7,148,995
Cash paid to vendors and employees	(6,055,953)	(6,063,525)
Interest received	9,182	6,304
	<u>1,330,361</u>	<u>1,091,774</u>
Net cash provided by operating activities	1,330,361	1,091,774
Net increase in cash	1,330,361	1,091,774
Cash, beginning of year	<u>5,732,441</u>	<u>4,640,667</u>
Cash, end of year	<u>\$ 7,062,802</u>	<u>\$ 5,732,441</u>
Reconciliation of change in unrestricted net assets to net cash provided by operating activities:		
Change in unrestricted net assets	\$ 574,197	\$ 606,438
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	489	489
Bad debt expense	10,278	-
Change in operating assets and liabilities:		
Accounts receivable	17,038	(161,799)
Promotional materials	23,904	(22,978)
Prepaid expenses	667,803	(680,170)
Accounts payable	145,693	190,796
Health research contract obligations	116,377	(513,387)
Deferred crop assessments	(225,418)	1,672,385
	<u>\$ 1,330,361</u>	<u>\$ 1,091,774</u>

The accompanying notes are an integral part
of these financial statements.

U.S. Highbush Blueberry Council

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1: NATURE OF ORGANIZATION

The North American Blueberry Council (the "NABC") submitted a proposal to the Agricultural Marketing Service Division (the "AMS") of the U.S. Department of Agriculture (the "USDA") for a national research and promotion program covering domestic and imported cultivated blueberries in December 1998. The program is authorized by the Commodity Promotion, Research and Information Act of 1996 (the "Act"). In March 2000, AMS held a referendum in which producers and importers of cultivated blueberries approved the Blueberry Promotion, Research and Information Order (the "Order"), thereby establishing the U.S. Highbush Blueberry Council (the "Council"). The Council is considered an instrumentality of the USDA which conducts administrative oversight of the Council's activities.

The purpose of the Council is to conduct promotion and research, and to provide consumer and industry information to maintain and increase the global awareness of highbush blueberries. As required by the Act, the Council must conduct an independent evaluation every five years to determine if the blueberry producers favor the termination or suspension of the Order.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Council presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted assets, temporarily restricted net assets and permanently restricted net assets. No temporarily or permanently restricted net assets existed at December 31, 2015 and 2014.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Council maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Deposits that exceed the federally insured limit are collateralized by the financial institution with Freddie Mac mortgage backed securities. In order to comply with the Agricultural Marketing Service's investment policy, the Council is responsible for investing its funds only in interest-bearing accounts that are risk-free and short-term. At December 31, 2015 and 2014, all deposits were fully collateralized.

Investments

The Council is required to follow the AMS investment policy. Accordingly, the Council is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the U.S. or any U.S. government agency, including obligations of government-sponsored corporations, which must mature within one year or less from the date of purchase.

U.S. Highbush Blueberry Council

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist primarily of foreign and domestic crop assessments. Management considers accounts receivable as of December 31, 2015 and 2014 to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

Promotional Materials

Supplies of promotional and educational materials are stated at cost and recorded as expenses in the period that they are distributed.

Equipment

Equipment is stated at cost or, if donated, at fair market value at date of receipt. The Council provides for depreciation over the estimated useful lives of equipment using the straight-line method.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

Crop Assessments

Growers are assessed based upon pounds of blueberries produced in the previous crop year. Assessments received for the current crop year are deferred and reported as revenue in the Council's following financial reporting year.

Advertising Expenses

The Council uses advertising in its mission to maintain and increase the global awareness of highbush blueberries and the costs of the advertising are expensed as incurred.

Lobbying Expenses

The Council is prohibited from using assessment funds collected in activities influencing legislation, governmental action or policy, other than recommending to the Secretary amendments to the Order. Accordingly, the Council incurs no lobbying expenses.

Income Taxes

The Council is considered an instrumentality of the U.S. Department of Agriculture. As such, the Office of Chief Counsel of the Internal Revenue Service has ruled that organizations such as the Council are not subject to federal income taxation and are generally exempt from other forms of taxation such as state income taxes, personal and real property taxes, and sales taxes.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through February 24, 2016, the date that the financial statements were available to be issued.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3: ADMINISTRATIVE SERVICES AGREEMENT

The Council entered into an agreement with the NABC in which NABC provides certain administrative services to the Council. Specifically, the agreement provides that NABC will maintain the Council's business office, which includes managing day-to-day operations and all correspondence and financial affairs. The NABC also assists in planning and implementing the Council's budget and in carrying out the Council's programs. In addition, NABC handles the collection and disbursement of the Council's assessment funds.

Based on projections of staff time and involvement, most general and administrative expenses are allocated approximately 15% to NABC and 85% to the Council. General and administrative expense reimbursements to NABC totaled \$564,703 and \$511,033 for the years ended December 31, 2015 and 2014, respectively. Additionally, the Council paid NABC annual service fees of \$120,000 for each of the years ended December 31, 2015 and 2014.

At December 31, 2015 and 2014, payables to NABC of \$46,892 and \$48,078, respectively, are included in accounts payable.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Domestic crop assessments	\$ 1,172	\$ 17,093
Foreign crop assessments	290,032	272,464
USDA Quality Samples Program	72,105	75,000
Expense reimbursement due from NABC	<u>-</u>	<u>26,068</u>
Total	<u>\$ 363,309</u>	<u>\$ 390,625</u>

NOTE 5: EQUIPMENT

Equipment consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 7,628	\$ 7,628
Accumulated depreciation	<u>(7,371)</u>	<u>(6,882)</u>
Total	<u>\$ 257</u>	<u>\$ 746</u>

Depreciation expense was \$489 for each of the years ended December 31, 2015 and 2014.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 6: HEALTH RESEARCH CONTRACT OBLIGATIONS

In accordance with the Order and to fulfill its purpose, the Council enters into contracts to provide grant funding to various blueberry related health research programs. Health research contract funding which has been authorized but remains unpaid at year-end is reported as a liability. The following is a schedule of the health research contract obligations at December 31, 2015, summarized by the year in which the amounts are due:

<u>Year Ending December 31:</u>	
2016	\$ 451,230
2017	<u>582,952</u>
Total	<u>\$ 1,034,182</u>

NOTE 7: OPERATING LEASE COMMITMENT

Through the Administrative Services Agreement with NABC described in Note 3, the Council leased office space under an operating lease agreement that ended June 30, 2014. The terms of the operating lease provided for monthly payments of \$2,768 during 2014 (of which 85% was allocated to the Council). A new operating lease agreement for office space was entered into as of April 1, 2014. The terms of the operating lease provided for monthly payments which ranged from \$4,009 to \$4,126 during 2014 and 2015, and will increase annually throughout the remainder of the five year lease term (of which 90% is allocated to the Council).

Additionally, through the Administrative Services Agreement with NABC, the Council leases a copier under operating lease and maintenance agreements executed by NABC. The terms of the operating lease provide for monthly payments of \$538 (of which \$484 was allocated to the Council), commencing in August 2013 and continuing for thirty-nine months.

Commitments for future minimum rental payments under the remaining term of the operating lease agreements executed by NABC, of which the Council will be allocated approximately 90%, are as follows:

<u>Year Ending December 31:</u>	
2016	\$ 55,872
2017	52,004
2018	53,403
2019	<u>22,495</u>
Total	<u>\$ 183,774</u>

The rental expenses allocated to the Council totaled \$52,863 and \$48,151 for the years ended December 31, 2015 and 2014, respectively.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 8: USDA QUALITY SAMPLES PROGRAM

During the year ended December 31, 2013, the Council was allocated \$75,000 under a Quality Samples Program (QSP) Agreement with the USDA Foreign Agricultural Service to encourage demand for frozen blueberries in the Indian market by exporting frozen blueberry samples into test kitchens and development laboratories. The Council pledged a cost share contribution of \$24,824 with an industry contribution of \$17,500. The Council's contribution may include cash or in-kind services and must be in furtherance of the project and not reimbursable from any USDA program or foreign source. Activities conducted under this Agreement were to be completed by December 31, 2013 unless extended by amendment or terminated by either party. During 2013, the QSP Agreement was amended by extending the expiration date from December 31, 2013 to December 31, 2014. During 2014, the QSP Agreement was amended again by extending the expiration date from December 31, 2014 to December 31, 2015.

NOTE 9: RETIREMENT PLAN

Through the Administrative Services Agreement with NABC described in Note 3, the Council participates in a 401(k) plan. Effective January 1, 2012, NABC converted a previous Simplified Employee Pension plan to a plan under section 401(k) of the Internal Revenue Code ("401(k) plan"). The 401(k) plan covers all employees, except excluded employees, who are at least 21 years of age and have worked at least 1,000 hours during the twelve month period following the date of hire. During 2015 and 2014, the Council made a Safe Harbor non-elective contribution equal to 3% of employees' compensation. The Council may also make additional discretionary matching contributions.

Total retirement plan expense allocated to the Council for the years ended December 31, 2015 and 2014, was \$20,920 and \$20,517, respectively.

NOTE 10: PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2015, the Council discovered that a payment recognized as market promotion and publicity expense in 2014 should have been reflected as a reduction to a previously accrued liability. The adjustments to restate expenses and accounts payable at December 31, 2014 resulted in the following changes to unrestricted net assets and the change in unrestricted net assets for the year then ended:

	Change in Unrestricted Net Assets	Unrestricted Net Assets
	<u> </u>	<u> </u>
Balance at December 31, 2014, as originally reported	\$ 566,838	\$ 797,654
Reduction of market promotion and publicity expenses	<u>39,600</u>	<u>39,600</u>
Balance at December 31, 2014, as restated	<u>\$ 606,438</u>	<u>\$ 837,254</u>

SUPPLEMENTARY INFORMATION

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES
 ACTUAL COMPARED TO BUDGET
 For the Years Ended December 31, 2015 and 2014

	2015		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Revenue:			
Domestic crop assessments	\$ 4,598,592	\$ 4,567,800	\$ 30,792
Foreign crop assessments	2,923,045	2,600,000	323,045
WUSATA export funds (Japan and Korea)	63,055	-	63,055
USDA FAS Emerging Markets Program	-	528,000	(528,000)
Gains from contract expirations	95,089	-	95,089
Other revenue	10,002	58,200	(48,198)
Total revenue	<u>7,689,783</u>	<u>7,754,000</u>	<u>(64,217)</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	4,788,746	5,030,000	(241,254)
Research	1,179,587	1,214,500	(34,913)
Industry relations	73,156	100,000	(26,844)
Food safety	88,401	198,250	(109,849)
USHBC program fees	202,113	221,000	(18,887)
Total program expenditures	6,332,003	6,763,750	(431,747)
General and administrative	783,583	990,250	(206,667)
Total expenditures	<u>7,115,586</u>	<u>7,754,000</u>	<u>(638,414)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 574,197</u>	<u>\$ -</u>	<u>\$ 574,197</u>

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2015 and 2014

	2014		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Revenue:			
Domestic crop assessments	\$ 2,935,906	\$ 2,891,940	\$ 43,966
Foreign crop assessments	2,565,134	2,400,000	165,134
WUSATA export funds (Japan and Korea)	127,220	300,000	(172,780)
USDA FAS Emerging Markets Program	-	98,000	(98,000)
Other revenue	16,453	-	16,453
Total revenue	<u>5,644,713</u>	<u>5,689,940</u>	<u>(45,227)</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	3,621,656	4,018,932	(397,276)
Research	361,374	395,500	(34,126)
Industry relations	68,440	77,000	(8,560)
Food safety	52,593	87,250	(34,657)
USHBC program fees	201,314	226,000	(24,686)
Total program expenditures	4,305,377	4,804,682	(499,305)
General and administrative	732,898	831,695	(98,797)
Total expenditures	<u>5,038,275</u>	<u>5,636,377</u>	<u>(598,102)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 606,438</u>	<u>\$ 53,563</u>	<u>\$ 552,875</u>

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET
 For the Years Ended December 31, 2015 and 2014

	2015		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Market promotion and publicity:			
Consumer/food service publicity	\$ 2,925,100	\$ 3,078,500	\$ (153,400)
Food manufacturer publicity	600,216	600,000	216
Export market development	708,430	675,000	33,430
Unallocated market promotion	-	121,000	(121,000)
USDA MAP Allocation	300,000	300,000	-
Export coordination	27,000	27,000	-
FAS EMP China (USDA)	41,500	41,500	-
FAS EMP Brazil (USDA)	56,500	56,500	-
FAS EMP Turkey (USDA)	65,000	65,000	-
FAS EMP Indonesia (USDA)	65,000	65,000	-
Promotion and publicity reserve	-	500	(500)
Total market promotion and publicity	4,788,746	5,030,000	(241,254)
Research:			
Research unallocated expense	3,600	46,435	(42,835)
University of East Anglia (Cassidy)	567,750	495,500	72,250
Simmons College	(1,620)	-	(1,620)
Harvard	88,576	88,576	-
Laval University (Grenier)	45,000	45,000	-
Michigan Tech (Tang)	75,000	75,000	-
Texas Woman's University (Juma)	66,296	66,296	-
Louisiana State University (Francis)	73,193	73,193	-
Beckman University (Chen)	75,000	75,000	-
Oakland Children's Hospital (McCann)	35,000	35,000	-
Texas Woman's University	1,813	-	1,813
Blueberry research bank	44,801	45,000	(199)
Researcher travel	7,063	12,000	(4,937)
Research administrator	80,000	80,000	-
Sponsorships	-	2,500	(2,500)
Blueberry research meeting	18,115	50,000	(31,885)
Research reserve	-	25,000	(25,000)
Total research	1,179,587	1,214,500	(34,913)

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2015 and 2014

	2015		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Industry relations:			
Industry relations activities	\$ 34,571	\$ 35,000	\$ (429)
USHBC evaluation/strategic plan	27,500	28,000	(500)
Grower engagement/education	780	15,000	(14,220)
Blueberry acreage study	(190)	-	(190)
Professional memberships	10,495	11,500	(1,005)
Industry relations reserve	-	10,500	(10,500)
Total industry relations	73,156	100,000	(26,844)
Food safety:			
Alert site server/maintenance	9,266	10,000	(734)
Media retainer	26,281	24,750	1,531
Media training	10,011	16,500	(6,489)
Issue management reserve	-	5,000	(5,000)
Printing	725	2,000	(1,275)
Alliance for Food and Farming	10,000	10,000	-
Good practices research study	25,798	50,000	(24,202)
Pest analysis for fresh market access	6,158	75,000	(68,842)
Food safety reserve	162	5,000	(4,838)
Total food safety	88,401	198,250	(109,849)
USHBC program expenditures:			
USDA/AMS administration fee	82,113	100,000	(17,887)
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program expenditures	202,113	221,000	(18,887)
Total program expenditures	\$ 6,332,003	\$ 6,763,750	\$ (431,747)

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2015 and 2014

	2014		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Market promotion and publicity:			
FAS Emerging Markets Program (Brazil)	\$ -	\$ 56,500	\$ (56,500)
FAS Emerging Markets Program (China)	-	41,500	(41,500)
Consumer/food service publicity	2,182,360	2,203,500	(21,140)
Food manufacturer publicity	487,750	509,500	(21,750)
Export market development	629,603	650,000	(20,397)
Unallocated market promotion	82,772	247,500	(164,728)
Wusata export funds (Korea)	232,171	300,000	(67,829)
Promotion and publicity reserve	7,000	10,432	(3,432)
Total market promotion and publicity	3,621,656	4,018,932	(397,276)
Research:			
Research unallocated expense	2,254	37,947	(35,693)
Simmons College	40,452	40,452	-
USDA	125,551	125,551	-
Harvard	85,050	85,050	-
Berry Health Symposium	16,000	16,000	-
Blueberry research bank	34,891	30,000	4,891
Researcher travel	9,176	10,000	(824)
Research administrator	48,000	48,000	-
Sponsorships	-	2,500	(2,500)
Total research	361,374	395,500	(34,126)

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2015 and 2014

	2014		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Industry relations:			
Industry relations activities	\$ 28,861	\$ 30,000	\$ (1,139)
Grower engagement/education	11,354	10,000	1,354
Blueberry acreage study	18,000	18,000	-
Professional memberships	10,225	9,000	1,225
Industry relations reserve	-	10,000	(10,000)
Total industry relations	<u>68,440</u>	<u>77,000</u>	<u>(8,560)</u>
Food safety:			
Alert site server/maintenance	395	12,000	(11,605)
Media retainer	26,377	24,750	1,627
Media training	10,602	18,000	(7,398)
Issue management reserve	-	10,000	(10,000)
Printing	219	5,000	(4,781)
Alliance for Food and Farming	10,000	10,000	-
Nbrew conference contribution	5,000	5,000	-
Food safety reserve	-	2,500	(2,500)
Total food safety	<u>52,593</u>	<u>87,250</u>	<u>(34,657)</u>
USHBC program expenditures:			
USDA/AMS administration fee	81,314	105,000	(23,686)
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program expenditures	<u>201,314</u>	<u>226,000</u>	<u>(24,686)</u>
Total program expenditures	<u>\$ 4,305,377</u>	<u>\$ 4,804,682</u>	<u>\$ (499,305)</u>

U.S. Highbush Blueberry Council

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENDITURES
ACTUAL COMPARED TO BUDGET

For the Years Ended December 31, 2015 and 2014

	2015		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
General expenditures:			
Office rental and occupancy expenses	\$ 43,818	\$ 42,462	\$ 1,356
Office insurance and taxes	708	990	(282)
Subscriptions	1,671	2,700	(1,029)
Printing	4,030	13,500	(9,470)
Office supplies	9,492	12,000	(2,508)
Telephone and fax	7,081	12,200	(5,119)
Computer IT service	9,859	6,750	3,109
Equipment repairs and maintenance	1,913	10,800	(8,887)
Equipment rental	9,045	10,800	(1,755)
Postage and shipment	9,319	10,800	(1,481)
Auto allowance	7,020	7,020	-
Bank charges	982	900	82
Officers' liability	4,026	4,030	(4)
Bonding insurance	-	1,200	(1,200)
Commodity coalition initiative	1,238	1,000	238
Special project reserve	-	3,750	(3,750)
Total general expenditures	<u>110,202</u>	<u>140,902</u>	<u>(30,700)</u>
Administrative expenditures:			
Employee salary and wages	305,431	326,937	(21,506)
Employee benefits	45,627	49,913	(4,286)
Payroll taxes	18,422	22,100	(3,678)
Workers' compensation insurance	3,795	3,740	55
Bookkeeping service	24,990	25,500	(510)
Retirement program	2,253	2,635	(382)
Legal/audit fees	15,300	15,300	-
Trade monitoring	10,000	10,080	(80)
Depreciation	1,079	125	954
Bad debt expense	10,278	-	10,278
Travel and meetings	236,206	208,700	27,506
Reserve	-	184,318	(184,318)
Total administrative expenditures	<u>673,381</u>	<u>849,348</u>	<u>(175,967)</u>
Total general and administrative expenditures	<u>\$ 783,583</u>	<u>\$ 990,250</u>	<u>\$ (206,667)</u>

U.S. Highbush Blueberry Council

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2015 and 2014

	2014		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
General expenditures:			
Office rental and occupancy expenses	\$ 39,034	\$ 38,830	\$ 204
Office insurance and taxes	729	1,080	(351)
Subscriptions	2,550	3,000	(450)
Printing	12,555	13,500	(945)
Office supplies	11,910	9,900	2,010
Telephone and fax	15,436	7,500	7,936
Equipment repairs and maintenance	1,915	2,700	(785)
Equipment rental	9,117	11,700	(2,583)
Postage and shipment	7,260	14,400	(7,140)
Auto allowance	7,020	7,020	-
Bank charges	773	500	273
Officers' liability	3,797	3,575	222
Bonding insurance	1,755	2,000	(245)
Commodity coalition initiative	990	1,000	(10)
Total general expenditures	114,841	116,705	(1,864)
Administrative expenditures:			
Employee salary and wages	313,018	328,315	(15,297)
Employee benefits	40,261	50,734	(10,473)
Payroll taxes	18,975	22,100	(3,125)
Workers' compensation insurance	2,782	3,995	(1,213)
Bookkeeping service	23,800	23,800	-
Retirement program	1,509	3,145	(1,636)
Legal/audit fees	15,300	15,600	(300)
Trade monitoring	10,000	10,000	-
Depreciation	951	550	401
Travel and meetings	191,461	207,300	(15,839)
Reserve	-	49,451	(49,451)
Total administrative expenditures	618,057	714,990	(96,933)
Total general and administrative expenditures	\$ 732,898	\$ 831,695	\$ (98,797)

U.S. Highbush Blueberry Council

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Receipts:		
Domestic crop assessments	\$ 4,407,780	\$ 4,571,007
Foreign crop assessments	2,905,477	2,440,619
Grant	63,055	127,220
Other revenue	<u>10,002</u>	<u>16,453</u>
Total receipts	<u>7,386,314</u>	<u>7,155,299</u>
Disbursements:		
Market promotion and publicity	3,866,307	4,172,676
Research	1,003,140	873,519
Industry relations	110,439	47,419
Food safety	68,401	51,218
USHBC program fees	206,250	224,853
General and administrative	<u>801,416</u>	<u>693,840</u>
Total disbursements	<u>6,055,953</u>	<u>6,063,525</u>
Excess (deficit) of receipts over disbursements	1,330,361	1,091,774
Cash, beginning of year	<u>5,732,441</u>	<u>4,640,667</u>
Cash, end of year	<u>\$ 7,062,802</u>	<u>\$ 5,732,441</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the U.S. Highbush Blueberry Council
Folsom, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of U.S. Highbush Blueberry Council which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered U.S. Highbush Blueberry Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the U.S. Highbush Blueberry Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the U.S. Highbush Blueberry Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether U.S. Highbush Blueberry Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of U.S. Highbush Blueberry Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering U.S. Highbush Blueberry Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Propp Christensen Caniglia LLP

February 24, 2016
Roseville, California